



CFTC Weekly Analysis

Onyx Capital Advisory

20th November 2023

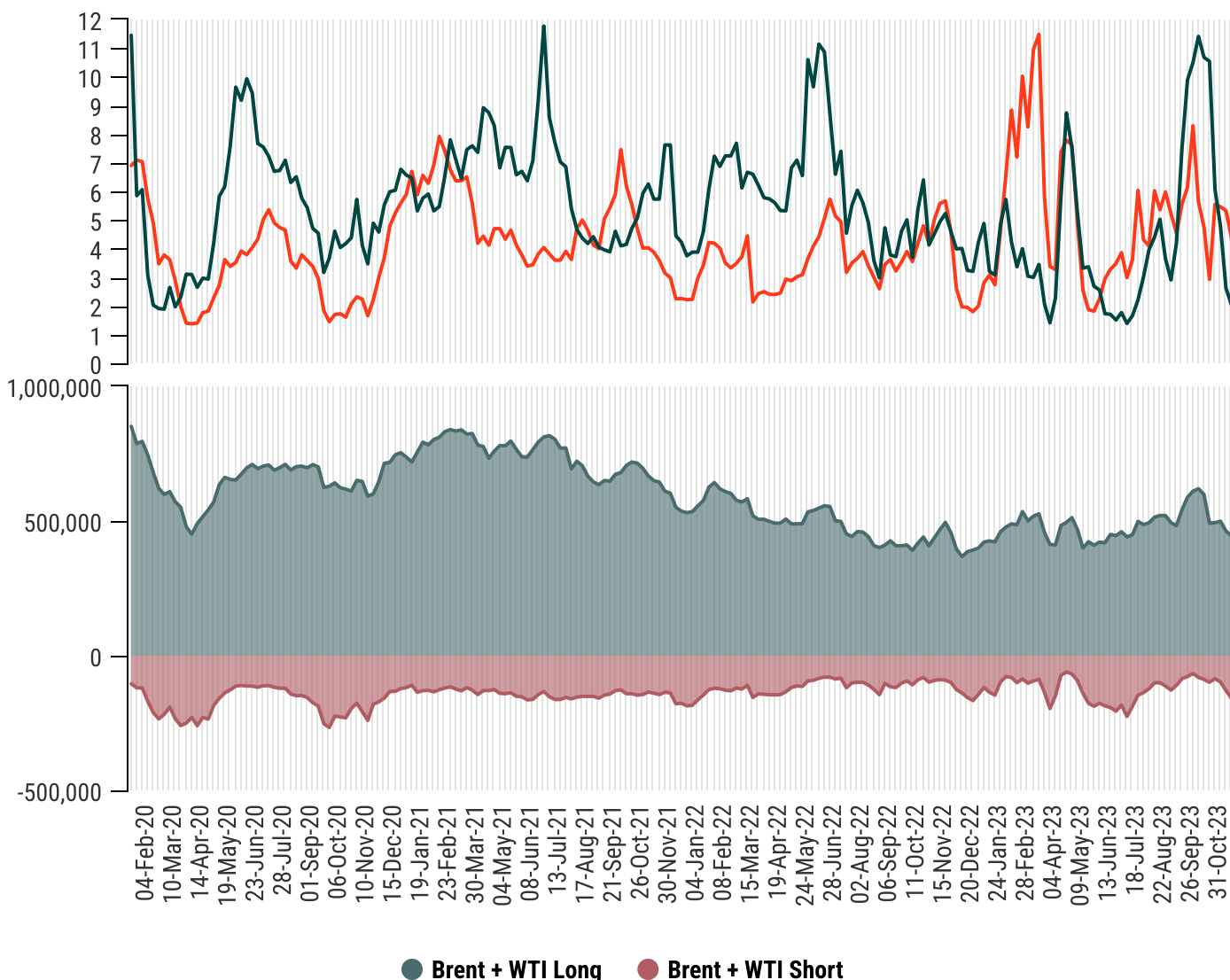
CFTC Overview

Money Managers' Positions in Crude

- Both Brent and WTI saw similar bearish trends in the week to Nov 14, with bullish investors closing out of positions. Notwithstanding this, while Brent also saw shorts exiting, bearish money managers were seen adding to their WTI positions.
- Net positioning in both contracts combined is currently sitting at 271mbbls, the lowest level since July 03, highlighting the substantial uncertainty regarding oil demand in markets, causing participants to adopt a risk-off sentiment at present.
- Both Brent and WTI flat price sank to new lows last week as traders priced in lacking oil demand and poor Chinese refinery margins. Investors will find solace in Saudi Arabia and Russia continuing their production cuts in the face of new sanctions placed on Russian oil by the US. Further support may come in the form of profit taking flows as bearish spec players capitalise on these low prices.

Managed by Money Long and Short Positions from 2020

— Long/Short Brent Futures — Long/Short WTI Futures

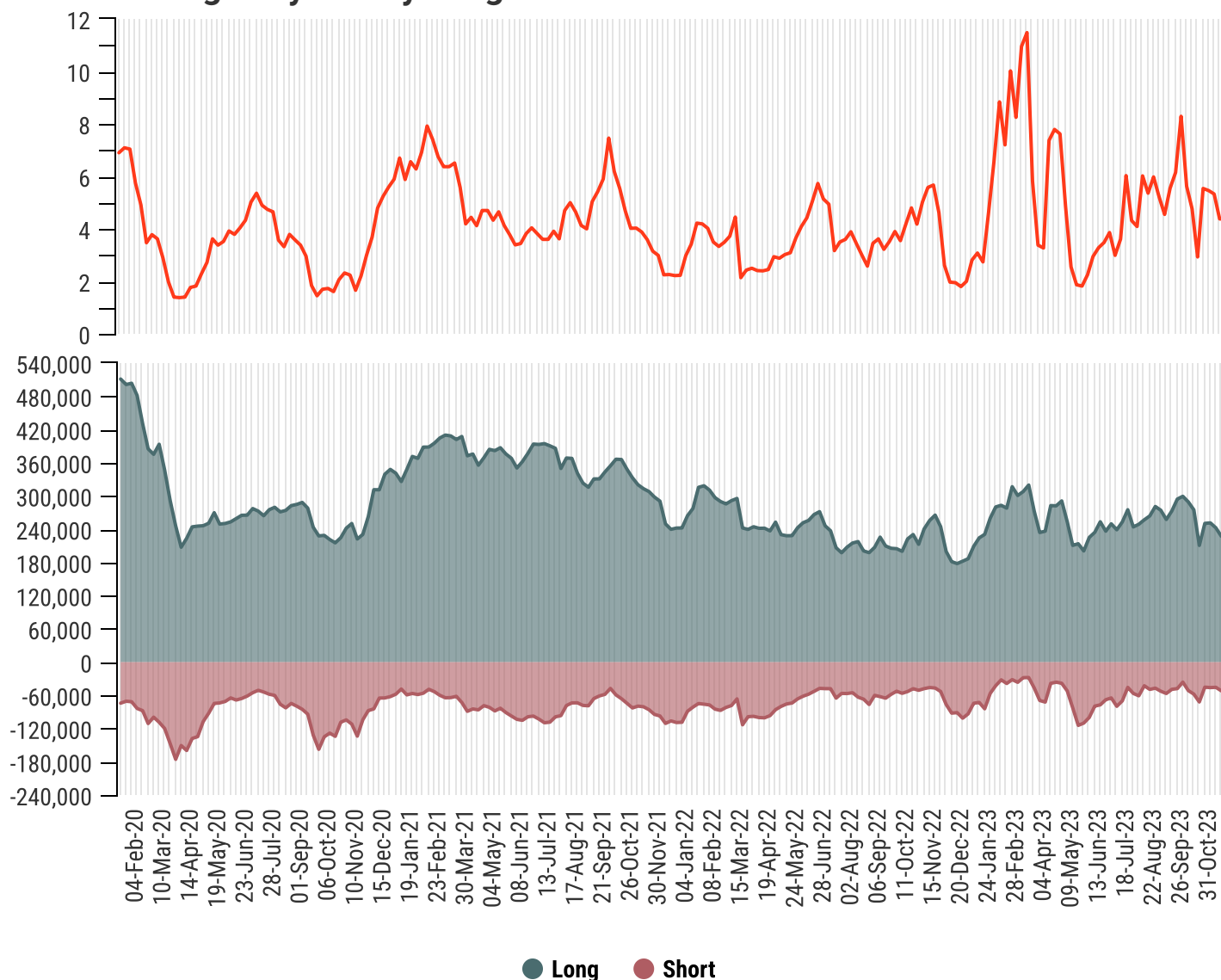


Brent Futures - ICE

ICE Brent Futures

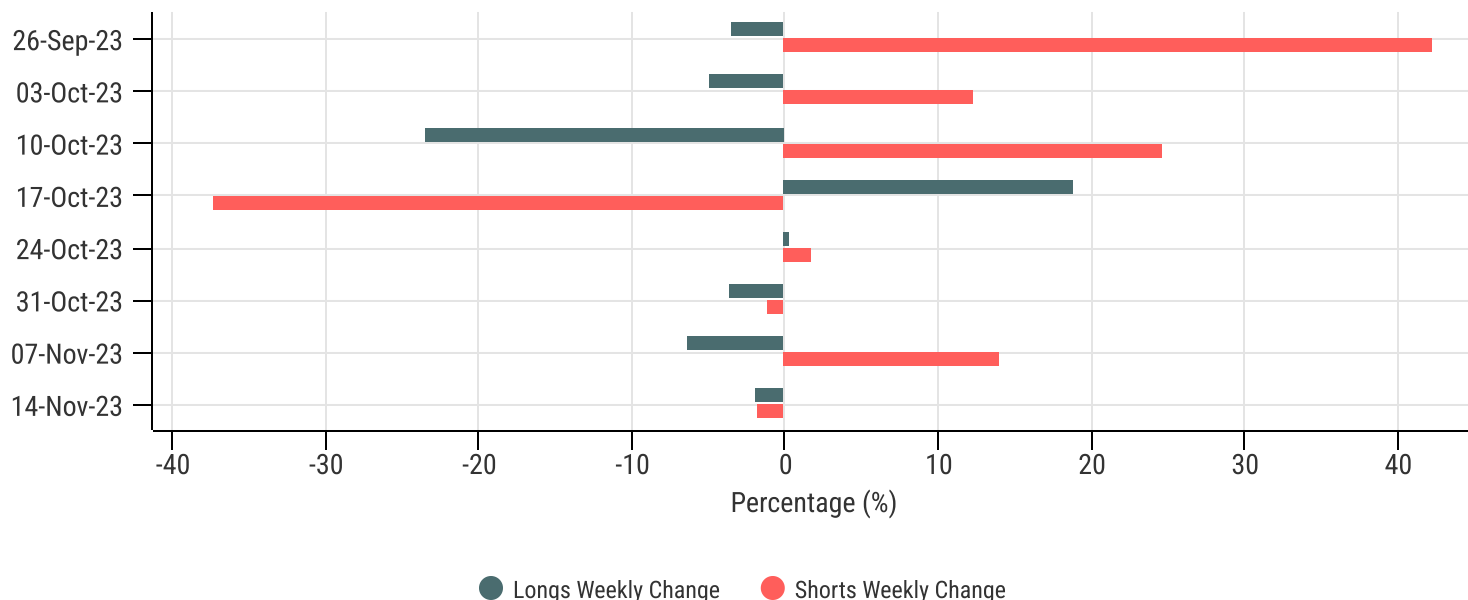
- The week to Nov 14 saw a further closure of long money managed positions, marking three consecutive weeks of removing length. However, this week saw the smallest closing of longs with the w-o-w decline sitting at 4mbbbls compared to the previous week's 15mbbbls.
- At the same time, short speculators also removed from their positions by 906kbbbls thereby displaying how risk-off money managers are regarding the benchmark crude futures. These flows may have also been linked to profit taking amid the lows Brent price hit last week.
- Last week, Brent futures for the Jan tenor dropped to the lowest levels seen since July'23. The crude futures fell from over \$85/bbl on Nov 06 to \$81/bbl on Nov 11 and then broke through previous support levels and hit \$77.42/bbl on Nov 16. While w-o-w change in net positioning increased from -21.7mbbbls last week to -3.4mbbbls this week, the removal of length reveals that this weekly change in positioning is a product of risk-off behaviour among market players.

Managed by Money Long and Short Positions in Brent Futures from 2020



Brent Futures - ICE

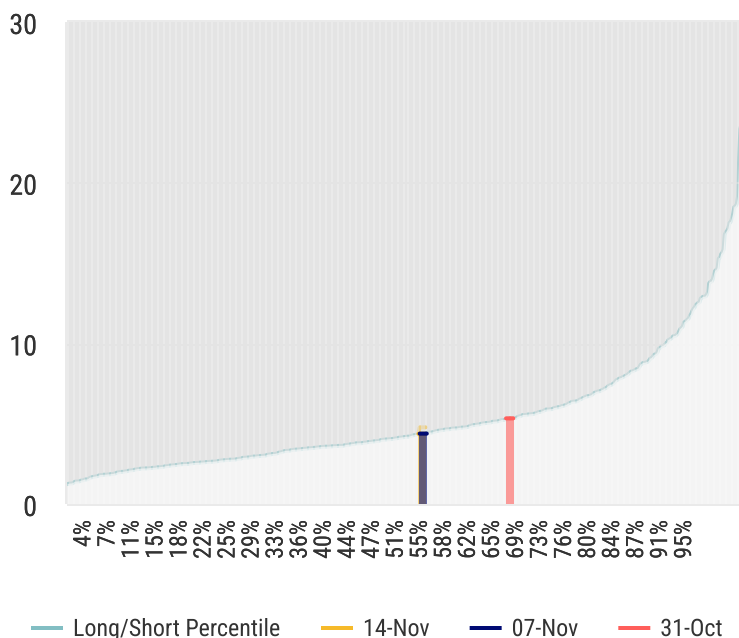
Brent Futures: changes in Managed by Money positions in the last eight weeks



- Risk appetite in Brent futures has been declining w-o-w, with open interest seeing two consecutive weekly declines. However, this week saw a much more muted weekly decrease, sitting at 15.3mbbls compared to last week's 161mbbls.
- Net positioning has continued to decline now sitting at 10% and 24% below the one-year and five-year average, respectively. Both bullish and bearish speculators have been relatively muted in their activity with w-o-w decline in long positions sitting at 1.9% compared to Nov 07's 6.3%.
- The bearishness stems on the back of poor economic data from the US and China, further cementing the overall poor outlook investors have for oil demand. A small gleam of hope for investors emerges out of speculation that weak US economic data might curtail the Fed's plans to maintain a high interest rate regime.

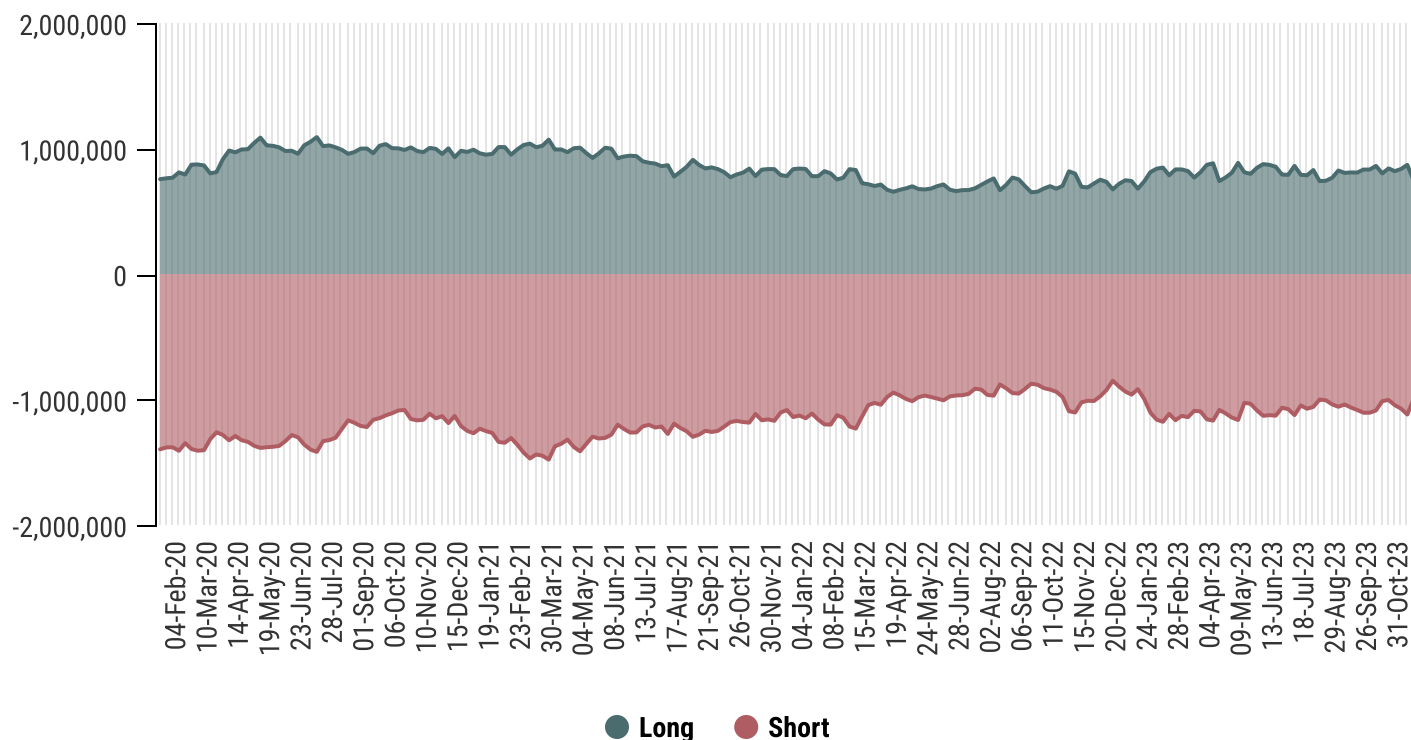
Long/Short Percentile Analysis

- The long:short ratio has not shifted away from the 52nd percentile for all weeks since 2013 considering the barely changed ratio of 4.37:1.00 (compared to the previous week's 4.38:1.00).

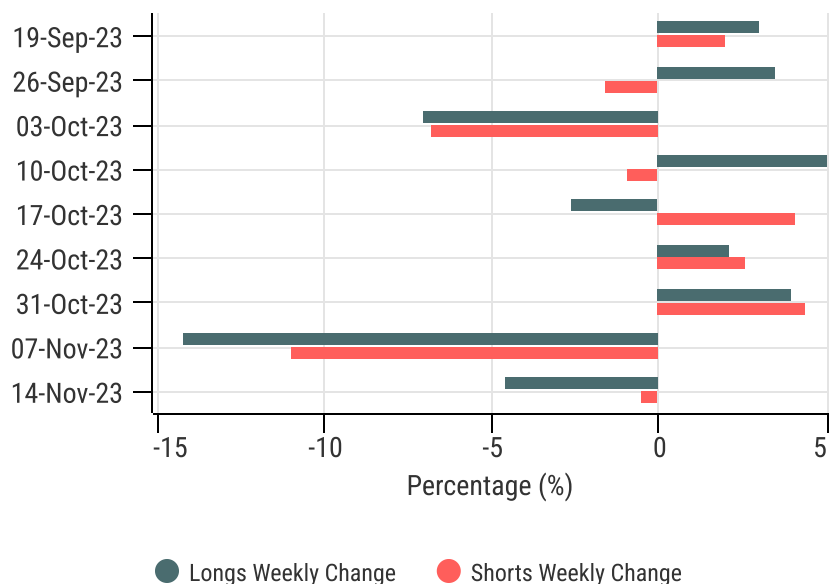


Brent Futures - ICE

Producer/Merchant Long and Short Positions in Brent Futures from 2020



Weekly Changes in Prod/Merc Long:Short Positions in Brent Futures

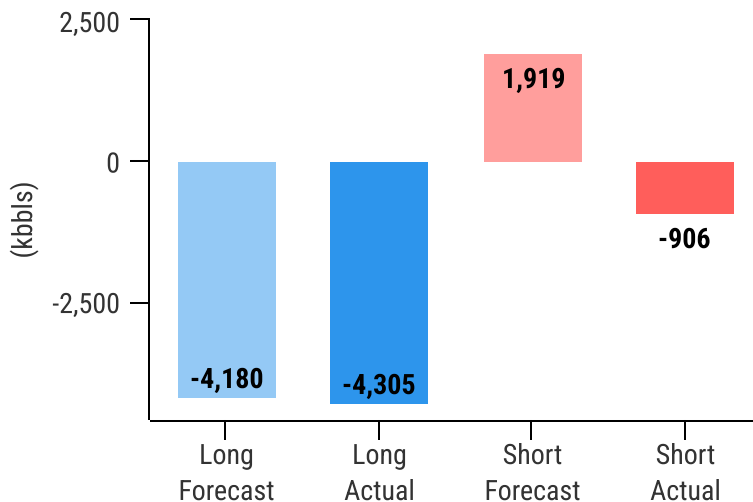


- Prod/merc players also exited the market from both the long and short-end albeit not as significantly as last week.
- The week to Nov 14 witnessed a 4.57% decline in long positions alongside a 0.48% decrease in short ones. Comparing this to last week's w-o-w decrease of 14.2% and 11% in longs and shorts, respectively, the substantial risk-off sentiment holds true for hedging flows too.

Brent - Onyx Predictor Review

Actual vs Predicted Changes in Long and Short Brent Positions in the week to 14 Nov.

Managed by Money Positions



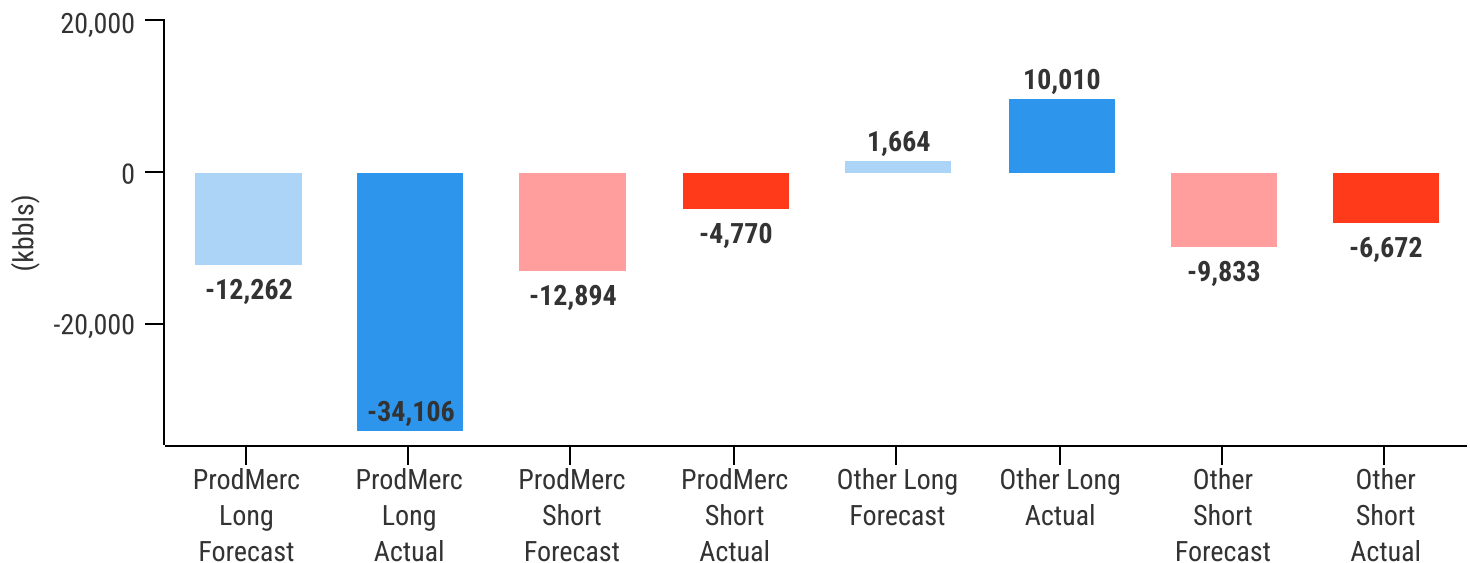
- **In line with Onyx forecast**, we saw long speculators exit the market in a magnitude very closely resembling our prediction. However, we also saw bearish spec players liquidate their positions.
- Amid the bearishness in crude, the reversal of short flows may be indicative of profit taking flows as Jan Brent prices hit new lows last week.

Key

Long Forecast
Long Actual
Short Forecast
Short Actual



Non-Money Manager Positions



- **In line with Onyx predictions**, prod/merc participants removed both their long and short positions. However, we foresaw a less significant removal of length than what actually unfolded.
- In addition, changes in positions held by other reportable participants saw a rise in long positions alongside a decline in short positions, just as Onyx predicted. However, the addition to long positioning was more substantial than what we forecast, and possibly provided liquidity to the money managers seeking to liquidate their long positions.

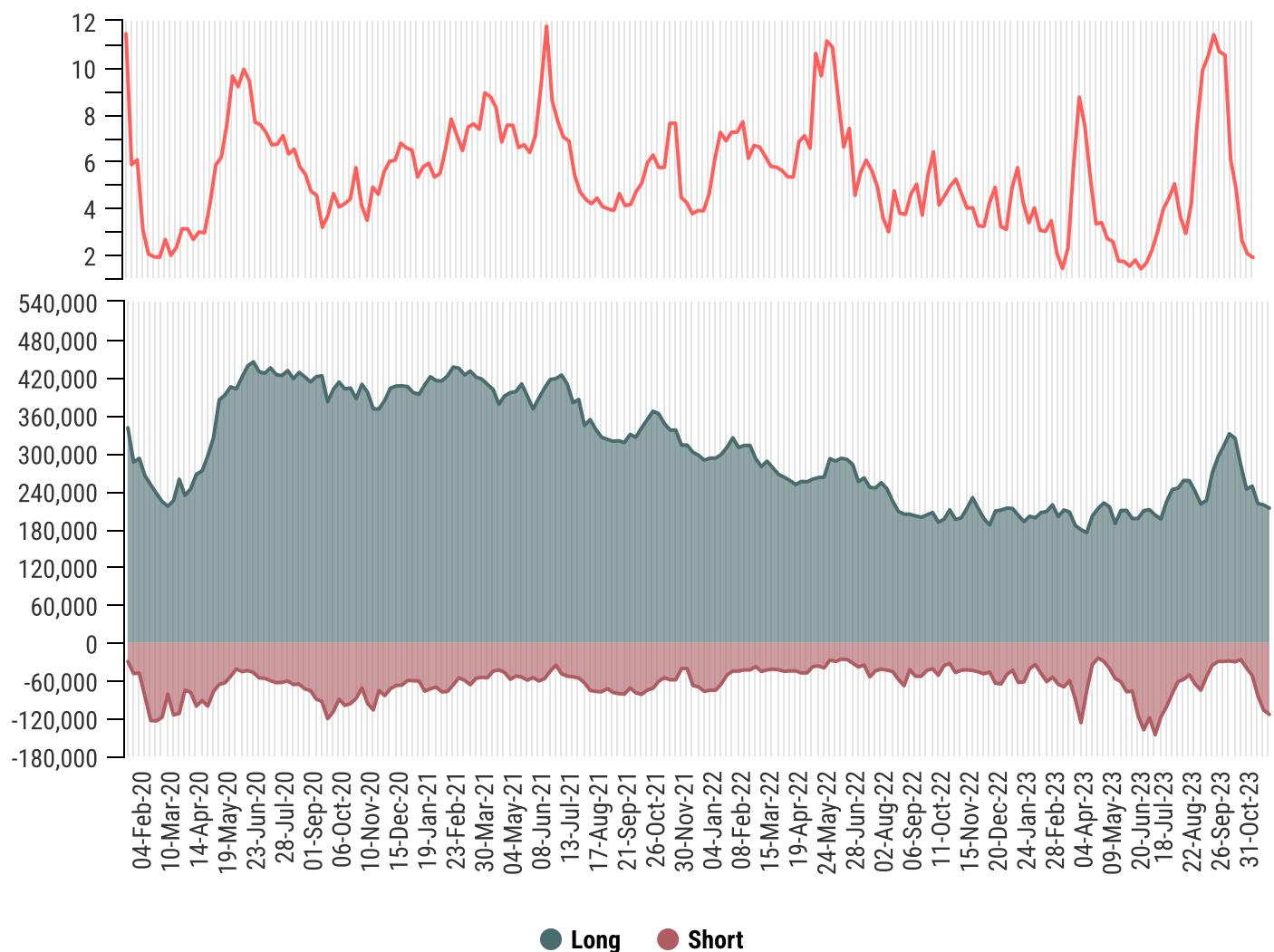
WTI Futures - NYMEX

NYMEX WTI Futures

- **Bearish sentiment continued to permeate through the WTI futures**, which saw a third consecutive week of bulls removing length and bears adding to their short positions. However, while the w-o-w intensity of the addition in shorts continued to soften, the weekly decrease in long positions rose this week.
- Bullish money managers closed a further 4.95mbbls in the week to Nov 14 compared to the previously recorded 2mbbls, bringing long spec interest to its lowest level since early July.
- Bearish speculators continue to enter the market, adding around 7mbbls this week compared to last week's 23mbbls.
- Reflecting bearish physical fundamentals, the front WTI spreads (Dec/Jan and Jan/Feb) have flipped into contango ahead of the expiry of Dec WTI.

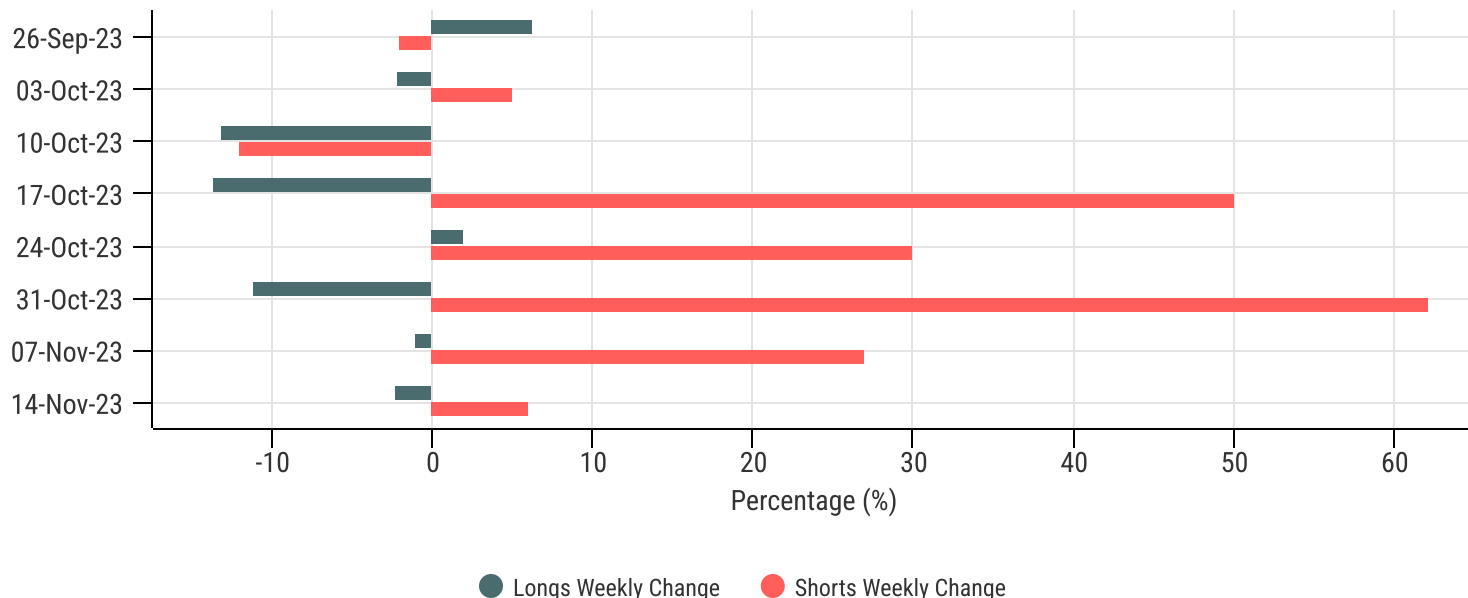
Managed by Money Long and Short Positions from 2020

— Managed by Money Long/Short Ratio



WTI Futures - NYMEX

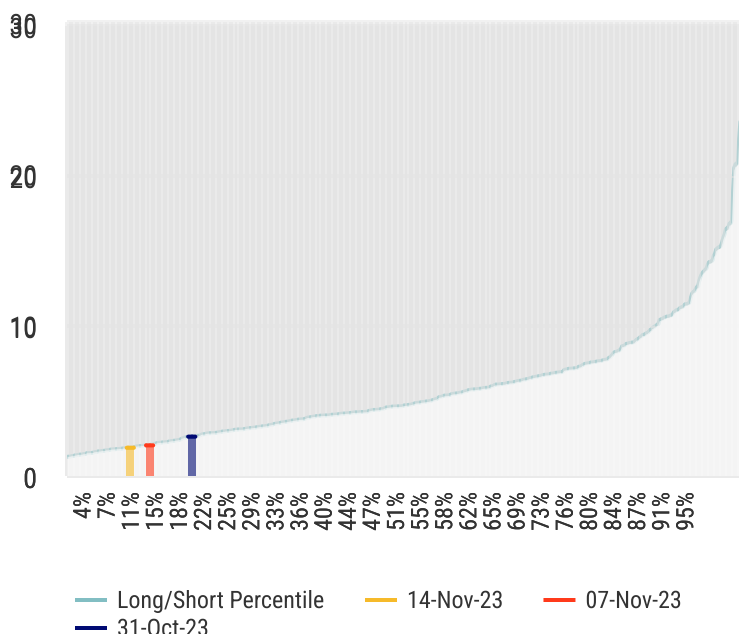
WTI Futures: changes in Managed by Money positions in the last eight weeks



- The week to Nov 14 marks the fifth consecutive increase in short money managed positions albeit witnessing the lowest addition to shorts in these past five weeks. Longs have also declined for the third consecutive time but is larger than last week's decline.
- After the API reported the third largest build of the year on Nov 07, sitting at 11.9mbbls, it announced a further build of 1.35mbbls on Nov 14, ahead of the EIA's announcement due the next day. The EIA then further cemented the bearish outlook on crude by announcing a build of 3.6mbbls.
- Similar to Brent, prompt WTI price action hit its lowest level since July. The benchmark futures declined from over \$80/bbl on Nov 06 to around \$75/bbl on Nov 08 but weakly strengthened to the \$78-handles by Nov 14. After this, however, WTI Dec futures sank to \$72/bbls two days after, from where it has been supported thus far.

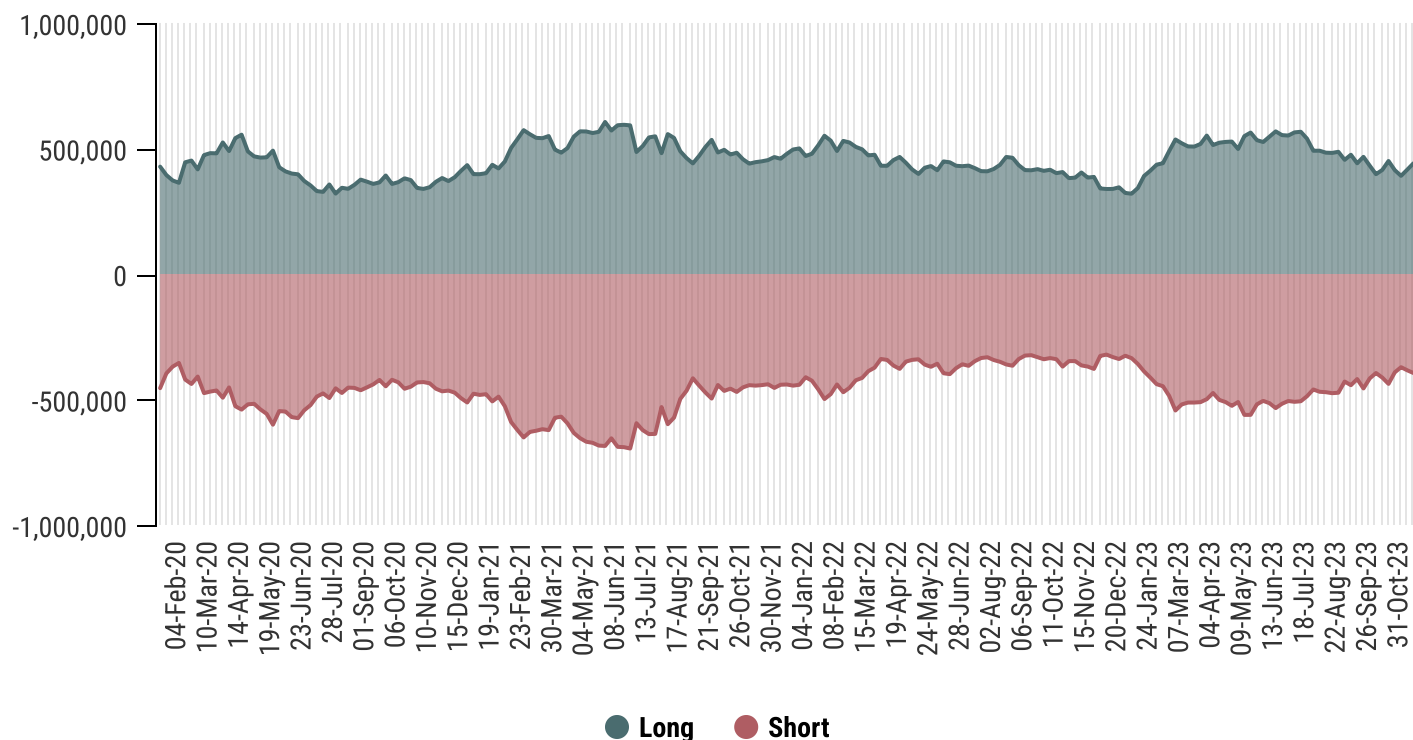
Long/Short Percentile Analysis

- Similar to Brent, the confluence of a decrease in long positions coupled with a rise in short positioning in the week to Nov 14 has caused the long:short ratio to come off from 2.04:1.00 to 1.88:1.00, sitting below the 10th percentile for all weeks since 2013.

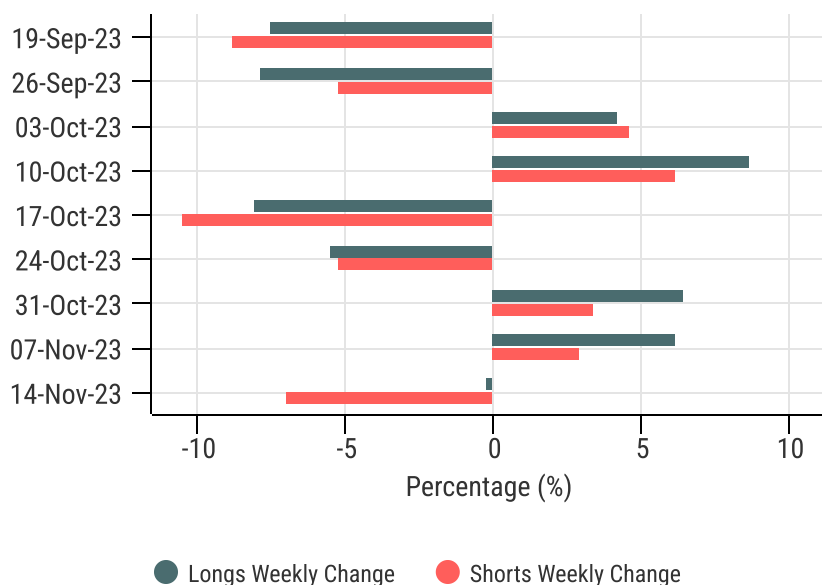


WTI Futures - NYMEX

Producer/Merchant Long and Short Positions in WTI Futures from 2020



Weekly Changes in Long:Short Positions Over the Last Eight Weeks



- Despite being more risk-on in the past two weeks, prod/merc participants liquidated both their long and short positions by 0.2% and 7%, respectively.
- With WTI flat price coming off and hitting four-month lows, both sell-side and buy-side hedgers appear to be de-risking.

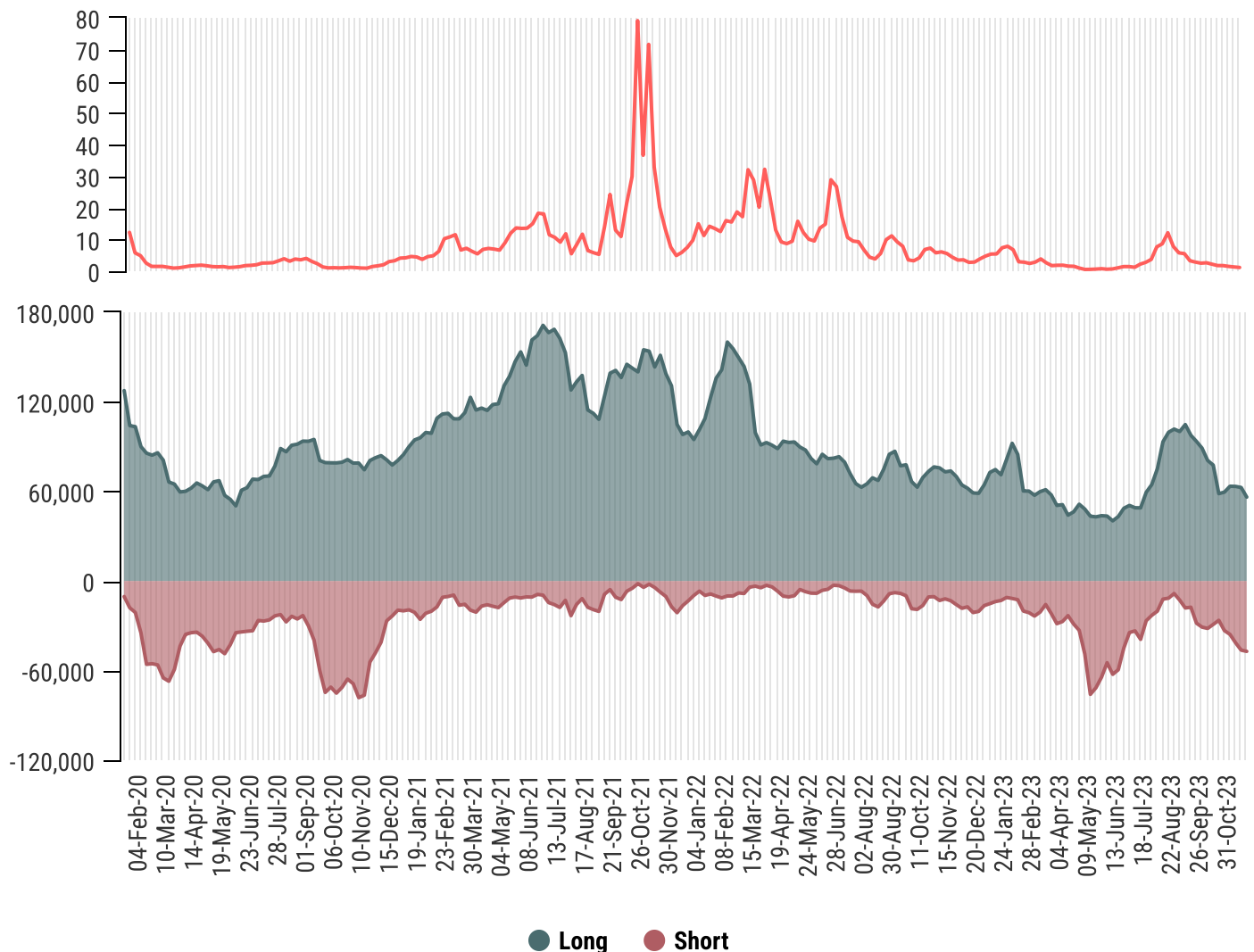
LS Gasoil Futures - ICE

ICE LS Gasoil Futures

- Money managers liquidated their length and added short positions for a third consecutive week in gasoil futures amid a worsening macroeconomic outlook and a bearish outright flat price on the back of weaker crude.
- Long positions declined by 6.5mbbls (-10.3%) week-on-week, falling to 56.2mbbls, which is the lowest level since the week to July 03.
- Meanwhile, short positions increased by 830kbbls (+1.8%) week-on-week, albeit at a lower rate than previous weeks.
- As a result, the long:short ratio registered a decline for the **6th consecutive week**, falling from 1.35:1.00 to 1.19:1.00 week-on-week (13th percentile). Net positioning also came off from 16.3mbbls to 9.0 mbbls (13th percentile), the lowest level since the week to June 13.
- Interestingly, crack spreads in gasoil cracks have remained well supported in the high-20s handles despite bearish money manager positioning.

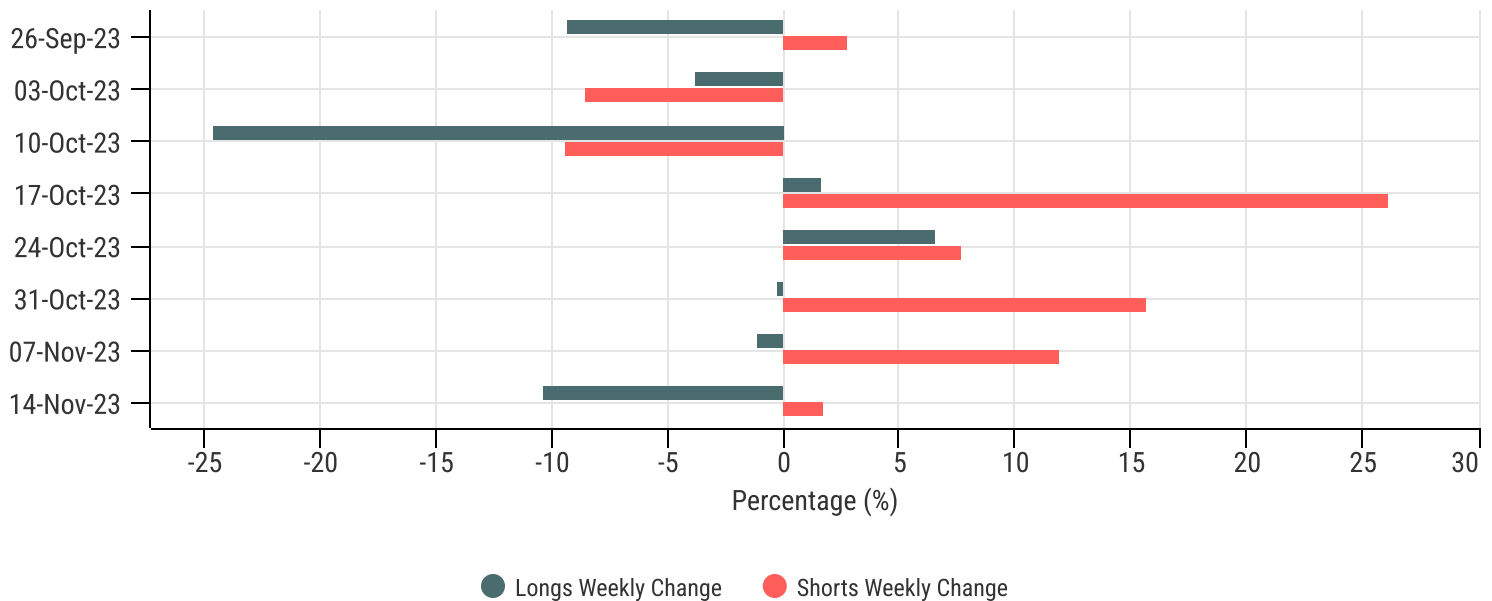
Managed by Money Long and Short Positions from 2020

— Managed by Money Long/Short Ratio



LS Gasoil Futures - ICE

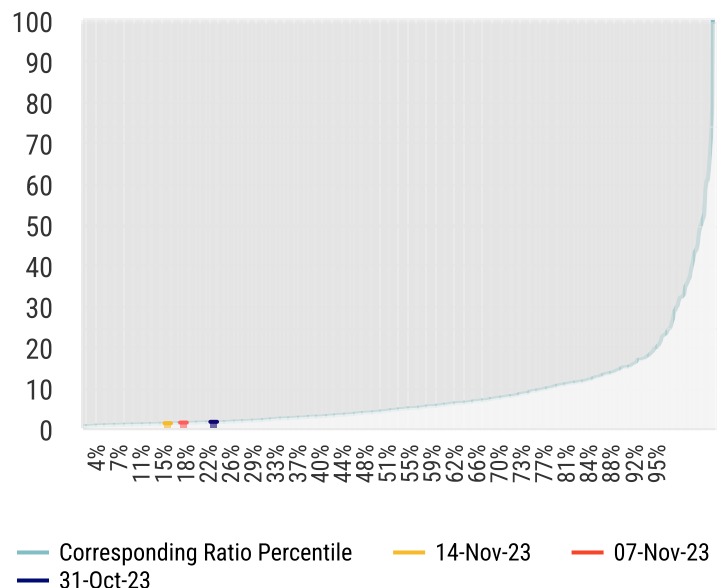
Weekly changes of Managed by Money positions in LS Gasoil Futures in the last eight weeks



- Crack spreads have held up despite the crude sell-off, however the increasingly bearish money manager positioning is a reflection of weakening flat price in gasoil futures with Dec23 trading around \$800/mt handles. Meanwhile, the significant addition of short positions in recent weeks is a sign of a deteriorating economic outlook, with traders uncertain about future interest rate decisions and nervous about demand especially with expectations of reduced tightness in Q1 on fading Chinese demand.
- With net positioning and the long:short ratio at their lowest level since mid-June, the market seems quite saturated towards the sell-side now with outright crack levels remaining extremely high. At the time, the front-month crack was trading around \$18/bbl. As a result, shorts are vulnerable as bullish headlines could send the crack back to \$30/bbl levels.

Long/Short Percentile Analysis

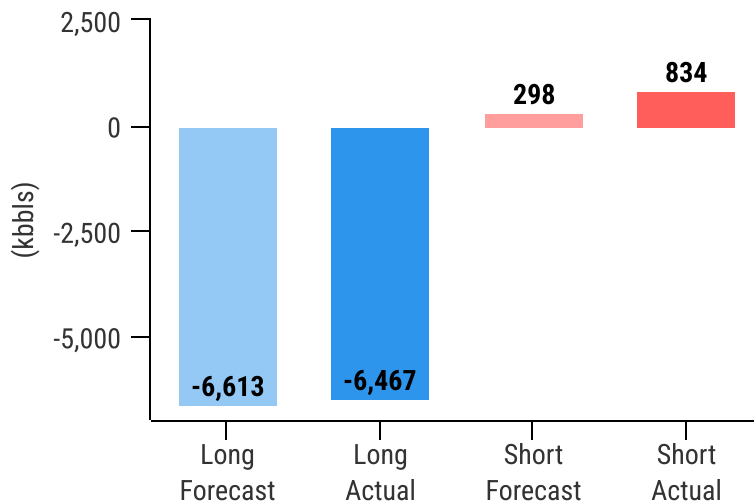
- The long:short ratio has been declining for the 6th consecutive week, from the 17th to the 13th percentile for all weeks since 2013, the lowest level since mid-June.
- Although flat price is significantly lower than Q3 levels, with outright crack levels well supported, this leaves recent shorts vulnerable should bullish economic or fundamental headlines trigger renewed bullish impetus into gasoil.



GASOIL - Onyx Predictor Review

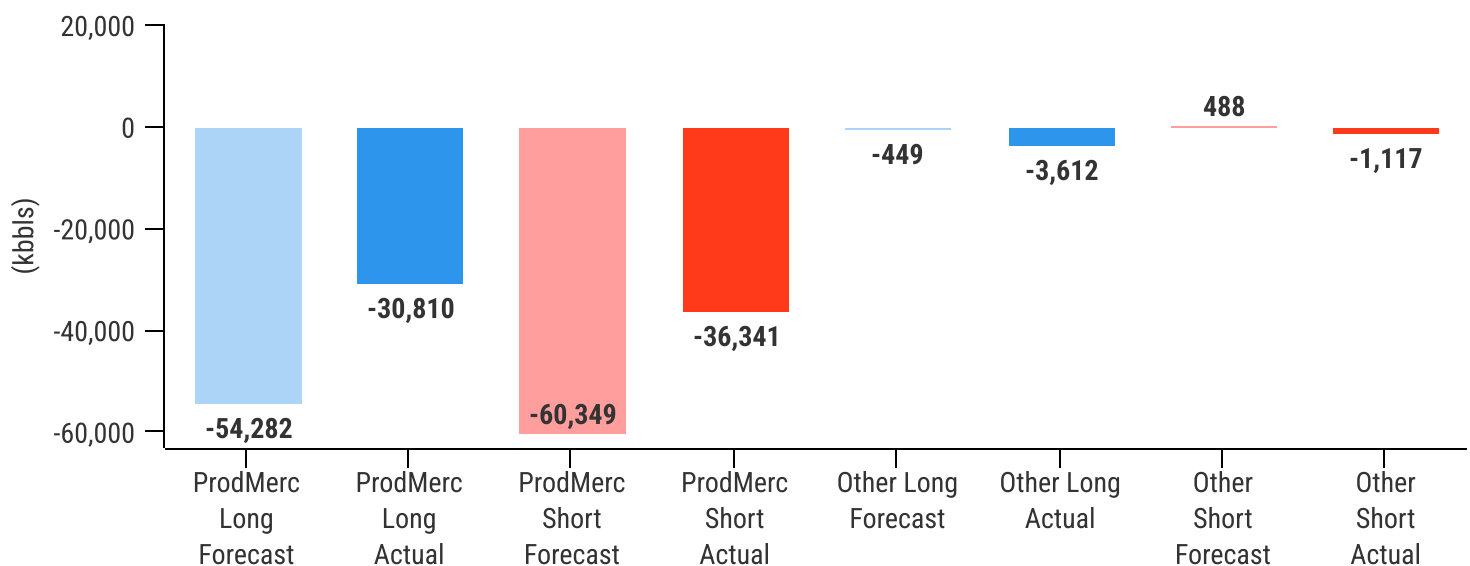
Actual vs Predicted Changes in Long and Short Gasoil Positions in the week to 14 Nov.

Managed by Money Positions



- **In line with Onyx predictions**, and for the third consecutive week, money managers continued to liquidate their long positions while adding short positions, indicating the deteriorating sentiment in the gasoil complex.
- Weakening crude flat price has also likely triggered an exodus in gasoil with CTA flow driving bearish momentum.
- Bullish money managers have instead rotated their positions into RBOB futures, reflecting their contrasting views between light and heavy crude.

Non-Money Manager Positions



- Week-on-week changes in prod/merc and other reportable positions have been **in line with Onyx predictions**, with the exception of other reportable shorts decreasing by 1.1mbbls.
- The market has taken a risk-off approach for the second consecutive week as open interest saw a 40mbbls decline (-6.1%) week-on-week, and is at its lowest level since April.

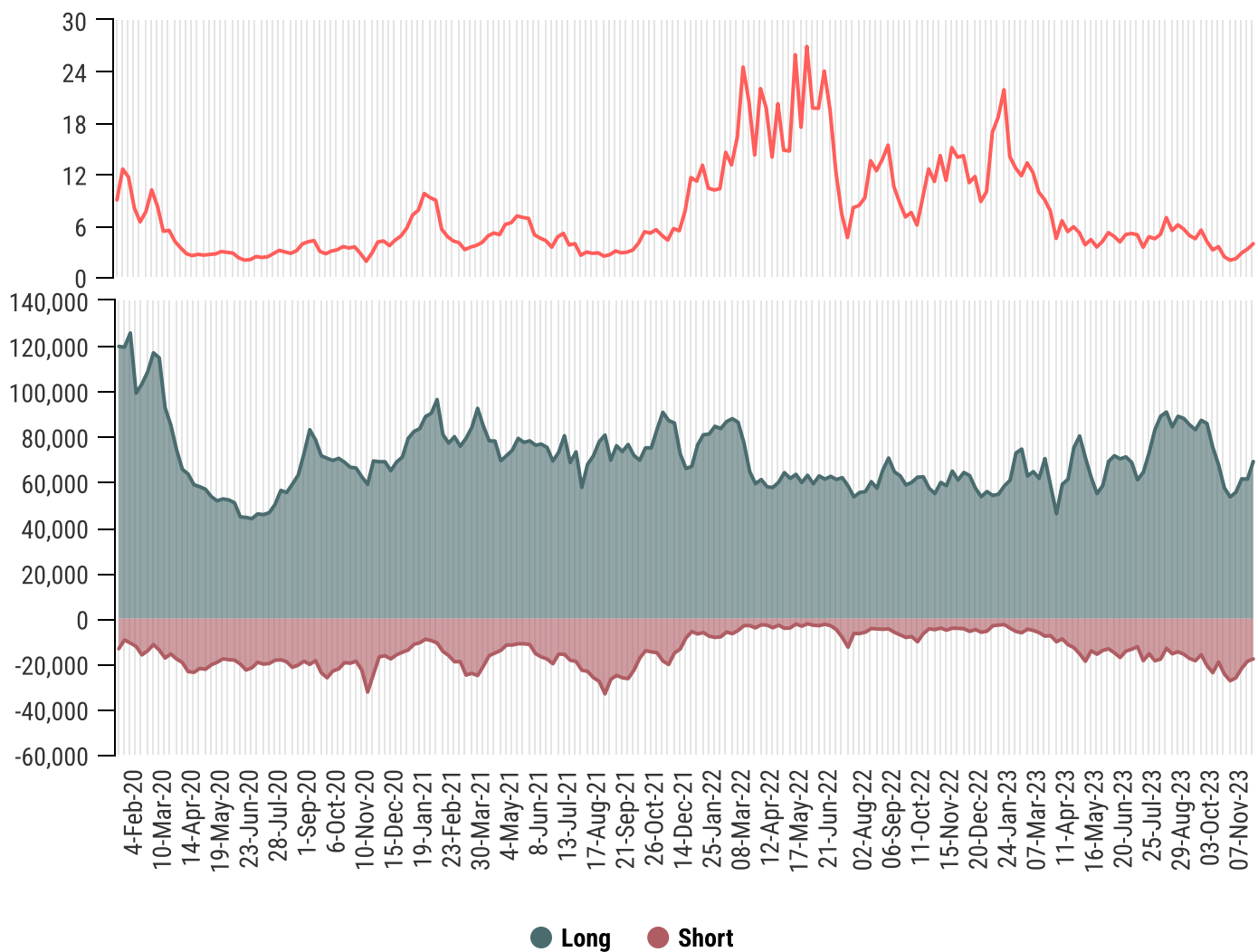
GASOLINE RBOB - NYMEX

NYMEX Gasoline RBOB

- Money managers added to their long positions and took off their short positions in RBOB futures in the week to Nov 14 as the gasoline complex was buoyed by ongoing supply disruption in the US.
- Long positions increased by 7.8mbbls (+12.7%) week-on-week. This was the fastest rate of purchase by bullish players since mid-July.
- On the other hand, short positions declined for the fourth consecutive week, falling by 1mbbls (-5.4%). In a reversal of the bearish trend seen previously, long positions are now at 2-month highs, while shorts are at 2-month lows.
- The long:short ratio increased for the fourth consecutive week, rising from 3.25:1.00 to 3.88:1.00 week-on-week. Meanwhile, net positioning increased by 8.8mbbls w-o-w, up to 51.2mbbls (47th percentile).
- After seeing extreme weakness in October, the gasoline complex has seen an earnest recovery as the Dec RBBR retraced back up to \$6/bbl levels. Issues at the Baton Rouge refinery and the delayed restart of Bayway FCC and Trainer have supported US gasoline.

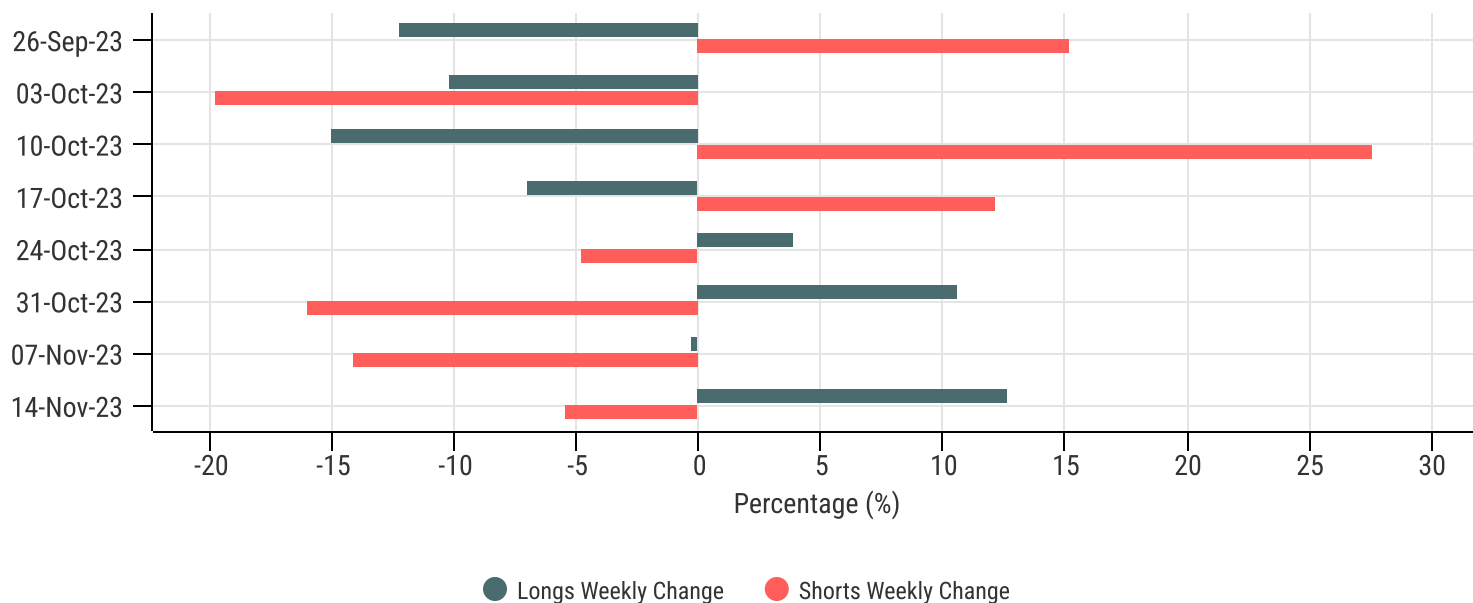
Managed by Money Long and Short Positions from 2020

— Managed by Money Long/Short Ratio



RBOB Futures - NYMEX

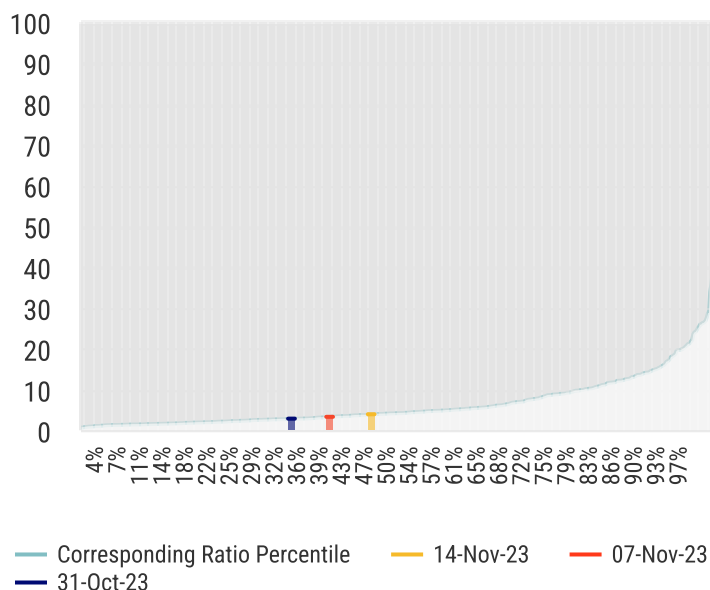
Weekly changes of Managed by Money positions in RBOB Futures in the last eight weeks



- Recent gasoline strength has also been driven by shifting sentiment between sweet and sour crude and market fundamentals. Money manager sentiment between ICE gasoil and NYMEX RBOB has seen a divergence since the week to 24 Oct, as net positioning for the former continues to decline, while it has gradually recovered for the latter. Refiners had previously taken advantage of higher gasoline cracks and maximised gasoline production, but seem to be making the switch now towards distillates. Gasoline cracks have generally adjusted to reflect fluctuations in crude flat price.
- There is also implications for the swaps market. The arb saw a 3c rally over the week as a reflection of better strength in the US as EBOB and 92 struggled to keep up. Furthermore, profit-taking on EBOB spreads and the sell-off in gasnaph also lent support to the arb.

Long/Short Percentile Analysis

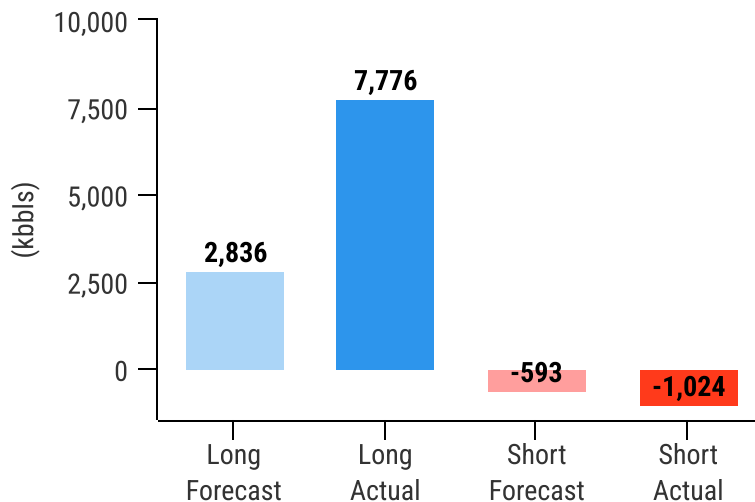
- With length increasing and shorts reducing, the long:short ratio increased for the fourth consecutive week to 3.88:1.00, the 47th percentile for all weeks since 2013. It currently sits close to the median, with positioning neither particularly bullish nor bearish.
- It remains to be seen whether the current bullish trend in gasoline will continue or if it is merely a mean reversion, with gasoline quite oversold in the previous month.



RBOB - Onyx Predictor Review

Actual vs Predicted Changes in Long and Short RBOB Positions in the week to 14 Nov.

Managed by Money Positions



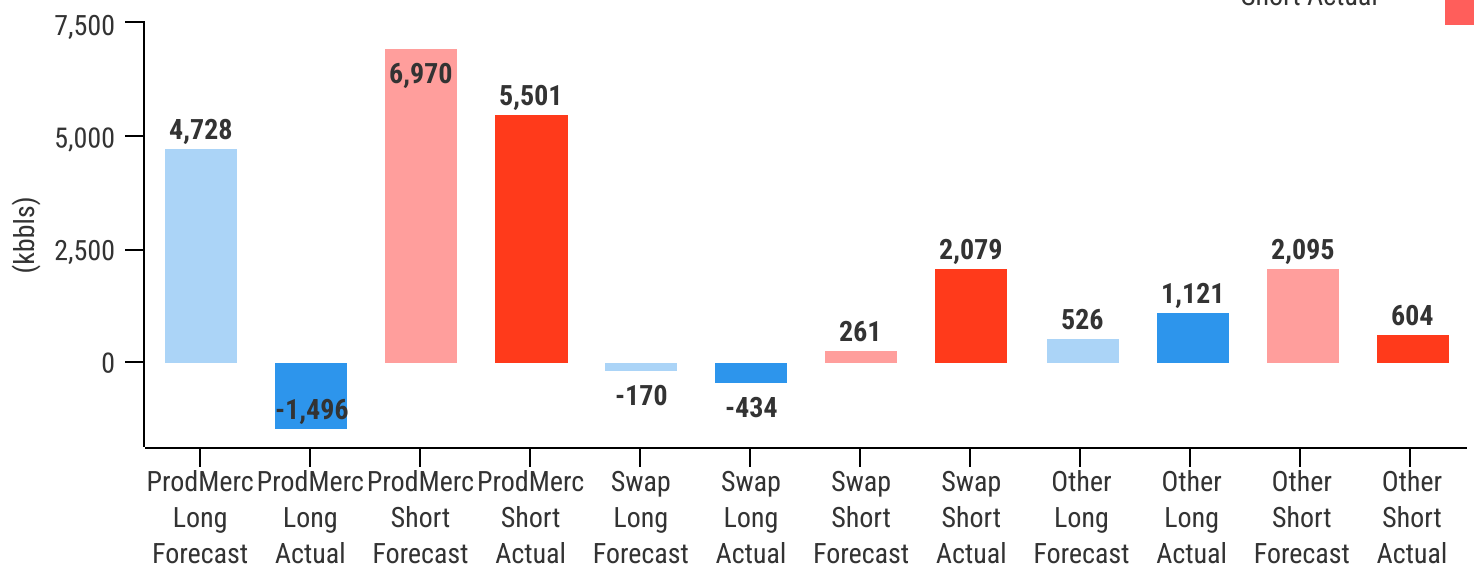
- **In line with Onyx predictions**, money managers added length to RBOB futures on the back of continued supply disruptions in the US and weaker crude prices, although the addition was even more bullish than what was predicted.
- Short positions also declined as anticipated, and it was larger-than-expected at 1mbbls.
- After a recent bout of weakness, bullish sentiment is permeating through the gasoline complex as fundamentals strengthen. It remains to be seen whether this trend can be sustained.

Key

Long Forecast
Long Actual
Short Forecast
Short Actual



Non-Money Manager Positions



- Changes in prod/merc, swap, and other reportables positioning were all **in line with Onyx predictions** with the exception of prod/merc length, which declined week-on-week with physical traders likely taking profit on the rally.
- With long managed money positions increasing significantly week-on-week, a combination of prod/merc, swap and other reportables shorts provided the buy-side liquidity for the new length.
- It was a relatively risk-on week for market participants as open interest increased by 10.8mbbls week-on-week, or a 3.4% increase, from 317 to 328mbbls.